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NSC DPRICE, WARLICK
DEPT PASS TO USTR FOR VERONEAU AND HAFFNER

E.O. 12958: N/A
TAGS: ECON EINV RS
SUBJECT: RUSSIA: CAUTIOUSLY BITING AT THE BIT

¶1. (SBU) Summary: In recent meetings with Deputy Trade Representative Ambassador John Veroneau and NSC Senior Director for Russia Mary Warlick, GOR officials expressed support in principle for starting Bilateral Investment Treaty (BIT) Negotiations. In her address to the USRBC October 23, Trade Minister Nabiullina also expressed support for a BIT. End Summary.

D/USTR Veroneau's Meetings and Nabiullina's Public Support

¶2. (SBU) D/USTR Veroneau visited Moscow October 22-24 to give the closing address at the U.S. Russia Business Council's (USRBC) annual meeting. In October 22-23 meetings with Deputy Finance Minister Sergey Shatalov and Deputy Trade Minister Kirill Androsov, Veroneau raised U.S. interest in negotiating a BIT with Russia. (N.B. A previous BIT was signed in 1993, but never ratified by the Duma.) Both Shatalov and Androsov indicated that a BIT would be attractive to investors from both countries and that the Russian government was prepared to begin negotiations. Shatalov added that the old model BITs were no longer applicable since they did not reflect changes in the Russian economy over the past decade, e.g., Russia's full currency liberalization and lifting of capital controls, and a new treaty would need to be negotiated from scratch.

¶3. (SBU) In her October 23 remarks to the USRBC, Minister for Economic Development and Trade Elvira Nabiullina expressed public support for a BIT. Nabiullina said the U.S. was one of the few major economies with which Russia did not have such an agreement and expressed hope that one would be completed soon.

NSC Warlick's Meetings: Yes to Negotiations but WTO First

¶4. (SBU) During her October 12-14 visit to Moscow, NSC Senior Director for Russia Warlick raised with senior Russian officials the possibility of negotiating a Bilateral Investment Treaty (BIT). Arkady Dvorkovich, Head of the Experts' Department in the Presidential Administration, responded that he saw no problem with starting BIT negotiations. Dvorkovich said that Russia had many such agreements already and was negotiating still more. That said, no additional BITs would be concluded until after WTO accession was complete. He added that the primary responsibility for BIT negotiations would fall to the Minister of Trade and Economic Development (MEDT).

¶5. (SBU) Warlick subsequently met with Max Medvedkov, Russia's lead WTO negotiator, at MEDT. Medvedkov confirmed that Russia was prepared to start negotiations on a BIT and that his office would have the lead. He also confirmed that it would not be possible to conclude any such agreements until WTO accession was complete but noted that this was a policy decision rather than a question of resources. In fact, as WTO negotiations had progressed he had been able to reassign personnel to other duties, including OECD accession. Medvedkov added that Russia had its own model BIT and that reconciling the U.S. and Russian versions could be complicated.

Comment

¶6. (SBU) The GOR appears ready to resume negotiations on a BIT, though completion of a WTO agreement is paramount for the GOR. We recommend that Washington move to the next step and formally propose such a resumption.

Burns